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GENERAL INFORMATION

MEMBERS OF THE COUNCIL

Pre Elections March 2006

Alderman T J Dolkens	- Mayor
Councillor D Dlamini	- Deputy Mayor
Councillor D T Dlamini	- Speaker

Councillor M N Biyela
 Councillor C N Ncanana
 Councillor D Leitch
 Councillor W Myeza
 Councillor H Nxumalo
 Councillor P Nxumalo
 Councillor D Shange
 Councillor W Zulu

Post Elections March 2006

Mrs N.A. Jiyane	Mayor
Mr M.N. Biyela	Deputy Mayor
Mr D.N. Leitch	Speaker

Mr H. Nxumalo	Exco Member
Mr B.D. Dlamini	Ord Councilor
Mr M.P. Nxumalo	Ord Councilor
Mrs N.C. Mthalane	Ord Councilor
Miss H.K.L. Zungu	Ord Councilor
Mr E.M. Masikane	Ord Councilor
Mr B.I. Nzuza	Ord Councilor
Mr M.M. Ngobese	Ord Councilor

GRADING OF LOCAL AUTHORITY

Grade 4

AUDITORS

Auditor-General

BANKERS

First National Bank

REGISTERED OFFICE

21 Reinhold Street
MELMOTH

P O Box 11
MELMOTH
3835

Telephone : 035-450 2082

MUNICIPAL MANAGER

F A Els


MANAGER : FINANCE

R A Sefton : Registered Municipal Accountant

APPROVAL OF FINANCIAL STATEMENTS

The Annual financial statements set out on pages 1 to 36 were approved by the Municipal Manager on 27.7.2006 and will be presented to and approved by Council on 6.9.2006.

F. A. ELIS
MUNICIPAL MANAGER


Qualifications: BA(Law)
B Juris

R. A. SEPTON
MANAGER FINANCE


Qualifications: Matric
26 Years Financial Experience

REPORT OF THE CHIEF FINANCIAL OFFICER

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2006 are as follows:

	Actual 2005	Actual 2006	Variance 2005/2006	Budget 2005/2006	Variance Budget Actual
	R	R	%	R	%
INCOME					
Opening Surplus	5 227 712	11 159 591			
Operating Income for the year	18 713 973	23 873 497	27.5	25 107 708	4.92
Sundry Transfers	4 975 858	896 635			
Closing Deficit					
	28 917 543	35 929 723			

	Actual 2005	Actual 2006	Variance 2005/2006	Budget 2005/2006	Variance Budget Actual
	R	R	%	R	%
EXPENDITURE					
Operating Expenditure for the year	17 740 876	22 537 425	27	25 029 729	11
Sundry Transfers	17 076				
Closing Surplus	11 159 591	13 392 298			
	28 917 543	35 929 723			

1. Equitable share was increased from R7 684 719 to R9 802 431, 27.5% increase. That accounts for the budget growth.
2. An amount of R1 409 000 MIG Projects was not received 2005/2006 and projects not started (5.63%).

1.1 Rate and General Services

	Actual 2005 R	Actual 2005/2006	Variance 2005 / 2006 %	Budget 2005/2006 R	Variance Budget Actual %
Income	13 990 884	18 317 322	30.9	19 854 988	7.74
Expenditure	13 425 182	17 371 576	29	19 792 459	12.23
Surplus (deficit)	565 702	945 746			
Surplus (deficit) as % of Total Income	4%	5%			

1.2 Electricity Services

The prices for the purchase of electricity as well as postal and telecommunication charges, salaries and wages are subject to administered adjustments. The following is a summary of the operating results of the Mthonjaneni Municipality Electricity Services:

	Actual 2005 R	Actual 2005/2006 R	Variance 2005 / 2006 %	Budget 2005/2006 R	Variance Budget Actual %
Income	4 723 089	5 556 175	17.64	5 252 720	5.78
Expenditure	4 315 694	5 165 849	19.70	5 237 270	1.364
Surplus (deficit)	407 395	390 326			
Surplus (deficit) as % of Total Income	8.63	7			

Resources used to finance the fixed assets were as follows:

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred during the year amounted to R2 247 544.

	Actual 2005/2006	Budget 2005/2006	Actual 2004/2005
	R	R	R
Roads	181 662	163 000	
Building	1 000 000	1 000 000	1 000 000
Other Infrastructure	634 110	600 000	287 885
Other Fixed Assets	96 173	133 000	14 938
Vehicles	335 599	330 000	860 796
	2 247 544	2 226 000	2 163 619

1) Contribution from Operating Income

R2 247 544

	Actual 2006	Actual 2005
	R	R
Contribution from Operating Income	2 247 544	2 163 619
Grants and Subsidies		113 652
Surplus Revenue		
	2 247 544	2 277 271

3. FUNDS, RESERVES AND PROVISIONS

The movement regarding accumulated funds, reserves, trust funds and provisions is given in appendix A.

4. APPRECIATION

I would like to thank the mayor and members of the Executive Committee and other Councillors, the Municipal Manager and Departmental Heads for the support they have given me and my personnel during the year. A special word of appreciation to the personnel of the Finance Department for their continual commitment.

MRS R A SEFTON
CHIEF FINANCIAL OFFICER

Date : 17 July 2006

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous financial year.

1. BASIS OF PRESENTATION

- 1.1 These financial statements have been prepared in accordance with Generally Recognised Accounting Practice issued by the Accounting Standards Board in accordance with Sections 122(3) of the Municipal Finance Management Act, (Act No.56 of 2003).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets, detailed in accounting policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis:
 - Income is accrued when measurable and available to finance operations. Certain direct income recorded when received, such as traffic fines and certain licences.
 - Expenses is accrued in the year it is incurred.

2. CONSOLIDATION

The balance sheet includes the Rate and General Services, Trading Services and the different funds, reserves and provisions. All inter departmental charges are set-off against each other, which are treated as income and expenditure in the respective departments.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Fixed Assets are stated:

at valuation (based on the market value price at date of acquisition), where assets have been acquired by grant or donation. While they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.

3.2 Property, Plant and Equipment

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated assets, defined as culturally significant resources, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life. Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	<u>Years</u>	<u>Other</u>	<u>Years</u>
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialized plant and equipment	10-15
Improvements	30	Other items of plant and equipment	2-5
Recreational Facilities	20-30		
Security	5		
Investment Properties	30		

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

- 3.3 Capital assets are financed from different sources, including external loans, operating income, accumulated surplus.
These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances.

- 3.4 Capital assets sold or disposed of, the net proceedings will be used to finance further capital assets.

4. INVENTORY

Inventory is valued at the lower of cost determined on the weighted average basis, and net realisable value.

5. ACCUMULATED SURPLUS

Provision can be made from the accumulated surplus for future capital projects included in the integrated development plan, infrastructure and other items of property plant and equipment.

6. RETIREMENT BENEFITS

Melmoth and its employees contribute to R.S.A. Municipal Pension Fund and Councillors contribute to the Municipal Councillors Pension Fund which provides retirement benefits to such employees and Councillors.

The retirement benefit plan is subject to the Pensions funds Act, 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs. Favourable experience adjustments are retained in the retirement benefit plan.

Full actuarial valuations are performed at least every three months.

7. SURPLUSES AND DEFICITS

Any surpluses or deficits arising from the operation of the Electricity are retained in that service for its own use.

8. INVESTMENTS

Investments are shown at the lower cost or market value if a permanent decline in the value occurred, and are invested in terms of Municipal Systems Act of 2000.

9. REVENUE RECOGNITION

9.1.1 Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportion basis.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognized as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognized at the point of sale and not when prepaid electricity is consumed.

Revenue from the sale of goods is recognized when the risk is passed to the consumer. Revenue arising from the application of the approved tariff of charges is generally recognized when the relevant service is rendered. Interest and rentals are recognized on a time proportion basis. Revenue from spot fines is recognized when payment is received, and the revenue from the issuing of summonses is only recognized when collected. Government grants are recognized as revenue when all conditions associated with the grant have been met. Where grants have been received but the municipality has not met the condition, a liability is raised. Amounts received from government and donors for the purpose of acquiring items of property, plant and equipment are also recognized as revenue.

- 9.2 Pensioners who own and occupy rateable property whose joint gross monthly income does not exceed the amounts set out hereunder shall qualify for the rebates reflected:**

Joint Gross Monthly Income	Rebate
0 – 2 500	90 %
2 501 – 3 000	80 %
3 001 – 4 000	70 %
4 001 – 4 500	50 %

- 2 Pensioners who own but do not occupy rateable property whose joint gross monthly income does not exceed the amount set out hereunder shall qualify for the rebate reflected:**

Joint Gross Monthly Income	Rebate
0 – 1 500	20 %

10. PROVISIONS

Provisions are created for liabilities or contingencies which are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy. That the leave provision in the estimates of income and expenditure be equal to at least the total cash value of accrued annual leave of all employees as at the end of February in any financial

11. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable value. In general, the basis of determining cost is the first-in, first-out method.

Unsold properties are valued at the lower of cost and net realizable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down with regard to their estimated economic or realizable values. Consumables are written down with regard to their age, condition and utility.

12. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

MTHONJANENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006

	Note	2006 R	2006 R	2005 R	2005 R
ASSETS					
Current Assets					
Cash and cash equivalents	11	6,151,229		2,788,417	
Receivables Consumer debtors	9	2,279,322		1,826,131	
Receivables Other	10	197,992		404,023	
Inventory	8	112,155		209,627	
Current portion of long term loans	7	0		0	
			8,740,698		5,228,198
Non current assets					
Investments	6	9,739,000		9,739,000	
Infrastructure, plant and equipment	5	18,052,762		16,475,852	
Non current loans	7	0		0	
			27,791,762		26,214,852
Total Assets			<u>36,532,460</u>		<u>31,443,050</u>
LIABILITIES					
Current Liabilities					
Payables	4	4,387,929		3,157,326	
Provisions Bad Debt	3	237,763		157,764	
Employee Benefits / Leave	3	7,890		83,848	
			4,633,582		3,398,938
Non Current Liabilities					
Payables	2	453,818		408,670	
			453,818		408,670
Total Liabilities			5,087,400		3,807,608
Net Assets			<u>31,445,060</u>		<u>27,635,442</u>
NET ASSETS					
Capital contributed by other government entities					
Reserves	5	18,052,762		16,475,851	
Accumulated surpluses /(deficits)	1	13,392,298	31,445,060	11,159,591	27,635,442
Minority interest					
Total Net assets			<u>31,445,060</u>		<u>27,635,442</u>

(Note : The Statement of Financial Position has been prepared in accordance with GRAP 1)

**MTHONJANENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2006**

Budget		Actual	
2005		Note	2005
R			R
REVENUE			
3,018,900	Property rates		2,901,002
110,000	Property rates - penalties imposed and collection charges		214,609
4,176,000	Service charges		4,309,943
291,000	Rental of facilities and equipment		300,996
680,000	Interest earned - external investments		941,091
610,000	Fines		149,504
1,810,000	Licences and permits		1,572,952
7,713,000	Government grants and subsidies		7,684,719
627,560	Other income		639,156
19,036,460	Total Revenue		18,713,973
EXPENDITURE			
6,193,310	Employee related costs		5,932,224
892,500	Remuneration of Councillors		641,389
30,000	Collection costs		31,748
815,500	Repairs and maintenance		815,008
3,173,360	Bulk purchases		2,759,539
206,200	Service charges		190,712
7,536,930	General expenses - other (including abnormal expenses)		7,245,256
125,000	Contributions to provisions		125,000
18,972,800	Total Expenditure		17,740,876
63,660	NET SURPLUS/(DEFICIT) FOR THE YEAR		973,097
	Appropriations		-17,075
	TOTAL NET SURPLUS / (DEFICIT)		956,022
	Refer to Appendix E(1) for explanation of variances		

(Note : The income statement has been prepared in accordance with GRAP 1 and the budget formats)

STATEMENT OF CHANGES IN COMMUNITY WEALTH FOR THE YEAR ENDED 30 JUNE 2006

	<u>Capitalisation Reserve</u>	<u>Government Grant Reserve</u>	<u>Donations and Public Contribution Reserve</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
	R	R	R	R	R
Balance at 30 June 2005/2006	8 020 171	8 404 992	50 688	11 159 591	27 635 442
Refund – Land Sale					
Understated assets 2004/2005	226 002				226 002
Net surplus for the year				1 336 072	1 336 072
Transfer to CRR					0
Property, plant and equipment purchased	613 434	163 4110	0	0	2 247 544
Capital grants used to purchase PPE					
Donated/ contributed PPE					
Contributed to Insurance Reserve					
Insurance claims processed					
Transfer to Housing Development Fund					
Asset disposal					
Offsetting of depreciation	(854 952)	(28 698)	(12 985)	898 638	
Balance at 30 June 2006	8 004 655	10 010 404	37 703	13 392 298	31 445 060

MTHONJANENI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2005 R
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from ratepayers, government and other		17,772,882
Cash paid to suppliers and employees		17,757,952
Cash generated from operations	20	14,930
Interest received		941,091
Interest paid		
NET CASH FROM OPERATING ACTIVITIES	(A)	956,021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	5	0
Proceeds on disposal of fixed assets		0
Decreases in non-current loans	7	0
Increases in investments		0
NET CASH FROM INVESTING ACTIVITIES	(B)	0
CASH FLOWS FROM FINANCING ACTIVITIES		
New loans raised		0
Increase in consumer deposits		0
Increase in Trust Fund	(C)	0
NET CASH FROM FINANCING ACTIVITIES (A + B + C)		956,021
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,267,658
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	5,223,679

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

		2006 R	2005 R
1. ACCUMULATED SURPLUSES			
Rate and General	10	8,481,220	6,910,525
Electricity	30	4,911,078	4,249,066
Total Reserves		<u>13,392,298</u>	<u>11,159,591</u>
The Asset Financing Reserves are fully invested in ring-fenced financial instrument investments.			
2. CONSUMER DEPOSITS			
Electricity	32	390,374	356,051
Other	33	63,444	52,619
Total Consumer Deposits		<u>453,818</u>	<u>408,670</u>
Consumers who do not own the property are required to pay a deposit equating to two months consumption of electricity service.			
3. CURRENT PROVISIONS			
Leave	34	7,890	83,848
Bad Debts	35	237,763	157,764
Total Provisions		<u>245,653</u>	<u>241,612</u>
4. CREDITORS			
Trade creditors	36	1,626,163	1,240,074
Payments received in advance	37	2,761,764	1,917,252
Uthungulu District Municipality	38		
Other creditors	39		
Total Creditors		<u>4,387,927</u>	<u>3,157,326</u>

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

5. PROPERTY, PLANT AND EQUIPMENT

30th June 2006

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Other R	Total R
Carrying values					
At 1 July 2005	253 195	8268945	4775050	3178661	16475851
Acquisitions		815772	1000000	431772	2247544
Depreciation based on cost		(252935)		(643700)	(896635)
Depreciation based on revaluation					
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
Impairment losses					
Other movements				226002	226002
Carrying values					
At 30 June 2005	253195	8831782	5775050	3192735	18052762
Cost					
Revaluation					
Accumulated depreciation					
Cost	253195	8831782	5775050	3192735	18052762

Refer to Appendix B for more detail on property, plant and equipment.

6. INVESTMENTS

		2006 R	2005 R
Financial Instruments			
Short Term Deposits	10	7,725,204	7,725,204
Call Deposits	30	2,013,796	2,013,796
Total		9,739,000	9,739,000

7. NON-CURRENT LOANS

Melmoth Golf Club - has been transferred to Sundry Debtors as this Loan is to be paid off this year with the net profit from the sale of properties which forms part of the Melmoth Golf Clubs lease with the Municipality.

0 0

8. INVENTORY

Inventory represents consumable store and raw materials at cost	43	112,155	209,627
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MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2006 **2005**
R **R**

9. CONSUMER DEBTORS

Service debtors		2,279,322	1,826,131
Rates	44	1,574,642	1,231,833
Electricity	45	490,567	420,689
Water			
Sewerage			
Refuse	46	214,113	173,609
Less : Provision for bad debts	35	237,763	157,763
Total		2,041,559	1,668,368

Rates: Ageing

Current (0 – 30 days)	10,685	0
31 - 60 Days	21,425	19,945
61 - 90 Days	20,309	22,411
91 - 120 Days	1,522,223	1,189,477
Total	1,574,642	1,231,833

(Electricity, Refuse): Ageing

Current (0 – 30 days)	382,241	351,279
31 - 60 Days	27,172	43,032
61 - 90 Days	22,716	8,425
91 - 120 Days	272,551	191,562
Total	704,680	594,298

Summary of Debtors 30 June 2005

Consumers
R

Current (0 – 30 days)	392,926	351,279
31 - 60 Days	48,597	62,977
61 - 90 Days	43,025	30,836
91 - 120 Days	1,794,774	1,381,039
Sub-total	2,279,322	1,826,131
Less: Provision for bad debts	237,763	157,764
Total debtors by customer classification	2,041,559	1,668,367

10. OTHER DEBTORS

Sundry Debtors	47	197,992	404,023
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MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
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The Municipality has the following bank accounts:

11. Current Account (Primary Bank Account)

First National Bank - Melmoth
 Account Number 54980006117

Cash book balance at beginning of year	2,787,896	4,267,658
Cash book balance at end of year	48 6,150,708	2,787,896
Bank statement balance at beginning of year	3,375,300	5,272,302
Bank statement balance at end of year	678,482	3,375,300
Cash on hand – Petty cash	49 521	521

Note needs to be made that First National Bank is the only bank in Melmoth that has a Manager in attendance at the branch. Standard Bank has an agency in Melmoth, therefore the tender process was not followed through on the primary bank account.

12. PROPERTY RATES

Actual		
Residential	1,770,358	1,686,055
Commercial	659,571	587,553
State	648,565	617,681
Municipal	16,000	9,713
Total	3,094,494	2,901,002

Valuations	July 2006	July 2005
	R 000's	R 000's
Residential	56,654	54,852
Commercial	20,554	20,554
State	26,355	26,355
Municipal	316	316
Total Property Valuations	103,879	101,877

Municipal valuator has been appointed 1 July 2006. In terms of section 33 of Municipal Property Rates Act 2004. The last valuation came into effect on 1 July 1997. Interims were carried out November 2005, January 2006, June 2006. Value - R2002. A general rate of 7.33c/R on Land - Building 2.60c/R (2005: 6.98c/R and 2.47c/R) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to state owned property Rates are levied on an annual basis with the final date of payment being 28 February 2006. Interest at 18% per annum is levied on outstanding rates as well as a 10 % collection charge two months after final date of payment. Pensioners received a rebate according to their income.

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2006 **2005**
R **R**

13. SERVICE CHARGES

Sale of electricity	1	4,188,909	3,686,059
Refuse removal	3	668,828	623,885
Total Service Charges		<u>4,857,737</u>	<u>4,309,944</u>

14. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	5	11,211,431	7,092,764
Finance Management	6	250,000	250,000
Provincial health subsidies	7	351,710	341,955
CMIP Grant		0	0
Total Government Grant and Subsidies		<u>11,813,141</u>	<u>7,684,719</u>

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive an average monthly subsidy of R90 (2005: R90.00), which is funded from this grant.

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
Provincial Health Subsidies		
Balance unspent at beginning of year	0	0
Current year receipts - included in public health vote (see Appendix D)	351,710	341,955
Conditions met - transferred to revenue		

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services.
 The conditions of the grant have been met. There was no delay or withholding of the subsidy

15. OTHER INCOME

Sale of housing	0	0
Other income	715,355	639,156
Total Interest Income		

16. EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	8	5,686,249	5,092,888
Employee related costs - Allowances	9	178,369	112,196
Employee related costs - Pension	10	434,519	393,313
Employee related costs - Medical Aid	11	240,778	179,844
Employee related costs - UIF	12	41,425	35,903
Employee related costs - Performance Bonus		184,765	118,080
Total Employee Related Costs		6,766,105	5,932,224

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
17. Remuneration of the Municipal Manager		
Annual Remuneration (4 Days a week)	441,270	416,292
Performance Bonuses	66,606	61,758
Total	507,876	478,050

Remuneration of the Chief Finance Officer		
Annual Remuneration	395,868	373,460
Performance Bonuses	60,744	56,322
Car Allowance	0	0
Total	456,612	429,782

REMUNERATION DIRECTOR CORPORATE SERVICES		
Annual Remuneration	374,177	352,997
Performance Bonus	57,415	0
Total	431,592	352,997


18. REMUNERATION OF COUNCILLORS		2006	2005
Mayor	13	85,000	67,067
Deputy Executive Mayor	14	72,000	53,654
Speaker	15	72,000	53,654
Mayoral Committee Members		0	0
Councillors	16	292,000	207,902
Councillors' pension contribution + Medical Aid + Allowances	17	366,891	259,112
Total Councillors' Remuneration		887,891	641,389

In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Committee

Members are part-time. They are provided with an office and secretarial support at the cost of the Council.

Certification by the Municipal Manager
 I certify that the remuneration of Councillors and in-kind benefits are in accordance with the Public Officer's Oath and the Minister of Provincial and Local Government's determination in accordance with that Act.


 Signed: Municipal Manager

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
19. BAD DEBTS		
Contribution to the bad debt provision	80,000	65,000
Bad debts written off	0	68,204
Total Bad Debts	80,000	-3,204
BULK PURCHASES		
Electricity	3,039,715	2,706,960
Total Bulk Purchases	3,039,715	2,706,960
20. CASH GENERATED BY OPERATIONS		
Net surplus for the year	1,336,072	956,021
Adjustment for:-	0	0
Depreciation	0	0
gain on disposal of property, plant and equipment	896,636	0
Contribution to provisions - non-current/ Expenditure Against Provisions	0	0
Contribution to provisions - current	0	0
Contribution to bad debt provision	0	0
Investment income	-948,144	-941,091
Interest paid	0	0
Operating surplus before working capital changes:	1,284,564	14,930
Increase in inventories	97,472	0
Increase in debtors	-453,191	0
Decrease in provisions	4,041	0
Decrease in other debtors	206,031	0
Increase in conditional grants and receipts	0	0
Decrease in creditors	1,230,601	0
Cash generated by operations	2,369,518	14,930
21. CASH AND CASH EQUIVALENTS		
Balance at the end of the year	6,151,229	2,788,417
Balance at the beginning of the year	2,788,417	4,267,658
Net increase/(decrease) in cash and cash equivalents	3,362,812	(1,479,241)

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2006 **2005**
R **R**

**22. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
MANAGEMENT ACT**

Contributions to SALGA

Opening balance	0	0
Council subscriptions	14,554	7,812
Amount paid - current year	(14,554)	(7,812)
Amount paid - previous years	0	0
Balance unpaid	0	0

Audit fees

Opening balance	0	0
Current year audit fee	326,463	65,000
Amount paid - current year	(326,463)	(65,000)
Amount paid - previous years	0	0
Balance unpaid	0	0

VAT

VAT is payable on the invoice basis.

All VAT returns have been submitted by the due date throughout the year.

May and June 2005 have been brought to account.

0 **0**

PAYE and UIF

Opening balance	0	0
Current year payroll deductions	1,095,051	808,687
Amount paid - current year	(1,095,051)	(808,687)
Amount paid - previous years	0	0
Balance unpaid	0	0

Pension and Medical Aid Deductions

Opening balance	0	0
Current year payroll deductions and Council Contributions	1,302,441	1,562,339
Amount paid - current year	(1,302,441)	(1,562,339)
Amount paid - previous years	0	0
Balance unpaid	0	0

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
	Highest Amount Outstanding	Ageing
30th June 2006		
23. During the year the following Councillors' had arrear accounts outstanding for more than 90 days		
Mr. E.M. Masikane	10,562	
Mrs. N.C. Mthlane	2,473	13,035
	<hr/>	<hr/>

24. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved but not yet contracted for	0	567 632
Infrastructure		
Community		
Heritage		
Other		
Housing Development Fund		
Investment Properties		
Total	<hr/>	<hr/>

This expenditure will be financed from:

- External Loans		
- Asset Financing Reserve		
- Government Grants		
- Internal Cash	0	567 632
- District Council Grants		
	<hr/>	<hr/>

APPENDIX A

ACCUMULATED FUNDS, RESERVES AND PROVISIONS

	Balance at 30.06.2005	Contributions during the year	Other Income	Expenditure during the year	Transfers	Balance 30.06.2006
ACCUMULATED FUNDS						
Capitalisation reserve	8 020 171	613 434	226 002		(854 952)	8 004 655
Govt. Grant reserve	8 404 992	1 634 110			(28 698)	10 010 404
Donations & Public reserve	50 688				(12 985)	37 703
Accumulative surplus	11 159 591	1 336 072	896 635			13 392 298
	27 635 442	3 583 616	1 122 637		(896 635)	31 445 060

PROVISIONS

Leave	83 848	100 000		175 958		7890
Bad Debts	157 764	80 000		0		237 764
	241 612	180 000		175 958		245 654

Note on Leave Provision:

14 - Permanent staff members resigned during 2005/2006.

25 - Contractors, Contracts expired, which resulted in the depletion of the Provision for Leave.
 Serious consideration needs to be taken to improve the provision of leave.

28

28

[illegible]

APPENDIX B

MTHONJANENI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost				Accumulated Depreciation					Carrying Value	Budget Additions 2006
	Opening	Additions	Under	Disposals	Closing	Opening	Additions	Disposals	Closing		
	Balance		Construction		Balance	Balance			Balance		
			Understated 2005/2006								
Other Assets											
Land	9 657				9 657				0	9 657	
Buildings											
Landfill sites	143 630				143 630				0	143 630	
Office Equipment	195 661	35 771			231 432	28 125	33 620		61 745	169 687	40 000
Furniture & Fittings	146 628	60 402			207 030	12 224	15 453		27 677	179 353	93 000
Bins and Containers	39				39	8	9		17	22	
Emergency Equipment	25 224				25 224	1 776	1 807		3 583	21 641	
Motor Vehicles	1 056 737	123 050			1 179 787	46 874	133 097		179 971	999 816	120 000
Refuse Tractors	595 051	212 549			807 600	39 670	39 680		79 350	728 250	210 000
Computer equipment	100 377				100 377	9 779	13 590		23 369	77 008	
Plant and Equipment	1 460 276		226 002		1 686 278	416 163	406 444		822 607	863 671	
	3 733 280	431 772	226 002		4 391 054	554 619	643 700		1 198 319	3 192 735	463 000
Total	17 213 987	2 247 544	226 002		19 687 533	738 136	896 635		1 634 771	18 052 762	2 226 000

EXPLANATORY NOTES: APPENDIX B

This Appendix sets out more information on Property, Plant and Equipment.

It serves as the reconciliation of Property, Plant and Equipment referred to in GAMAP 17.

The latest approved budget must also be included in this Appendix as illustrated.

APPENDIX C

MTHONJANENI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Opening Balance	Additions	Disposals		
Executive & Council									
Finance & Admin	3,011,303	1 096 173			4 107 276	427 300	469 117	896 417	3,210,859
Planning & Development	2,031,286	1 81 662			2 212 948	30 513	0	30 513	2,182,435
Health	656,356				656 356		0	0	656,356
Community & Social Services	807,699				807 699		0	0	807 699
Housing	253 195				253 195		0	0	253 195
Public Safety	253,953				253 953	10 262	1 806	12 068	241 885
Sport & Recreation	815 559				815 559		0	0	815 559
Public Improvement Fund	9 657				9 657		0	0	9 657
Waste Management	209 921				209 921		0	0	209 921
Road Transport	4 604 941	335 599	226 002		5 166 542	86 544	154 025	240 569	4 925 973
Sub-Total	12 653 670	1 613 434	226 002		14 493 106	554 619	624 948	1 179 567	13 313 538
Electricity	4 560 317	634 110			5 194 427	183 517	271 687	455 204	4 739 223
Total	17 213 987	2 247 544	226 002		19 687 533	738 136	896 635	1 634 771	18 052 762

EXPLANATORY NOTES: APPENDIX C

This is a segmental analysis of Property, Plant and Equipment. The standard GFS classifications set out in the Budget Reforms have been used. However, the segments used can be the organisational structure of the Municipality. The totals of Appendix C must agree to those in Appendix B.

APPENDIX D
MTHONJANENI LOCAL MUNICIPALITY : SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2005 Actual Income R	2005 Actual Expenditure R	2005 Surplus/ (Deficit) R		2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R
2,901,002	0	2,901,002	1 Assessment Rates	3,094,494	0	3,094,494
4,418,641	5,658,855	-1,240,214	2 Finance & Admin	10,347,585	8,462,250	1,885,335
			Planning & Development			
341,955	389,806	-47,851	3 Health	351,710	480,522	-128,812
3,260,000	4,141,138	-881,138	4 Community & Social Services	1,100,000	5,080,891	-3,980,891
			Housing			
1,764,226	1,873,324	-109,098	5 Public Safety	1,814,064	1,623,283	190,781
4,686	196,280	-191,594	6 Sport & Recreation	3,199	236,280	-233,081
80,000	88,635	-8,635	7 Environmental Protection	240,000	321,243	-81,243
1,167,225	1,077,144	90,081	8 Waste Management	1,325,170	1,167,107	158,062
53,150	0	53,150	9 Cemetery	41,100	0	41,100
			Water			
4,723,089	4,315,694	407,394	10 Electricity	5,556,175	5,165,849	390,326
			Sewerage			
18,713,973	17,740,876	973,096	Sub Total	23,873,497	22,537,425	1,336,071
			Less: Inter-Dep Charges			
18,713,973	17,740,876	973,096	TOTAL	23,873,497	22,537,425	1,336,071

EXPLANATORY NOTES: APPENDIX D

This is a segmental income statement. The standard GFS classifications set out in the Budget Reforms have been used. However, the segments used can be the organisational structure of the Municipality.

APPENDIX E

MTHONJANENI LOCAL MUNICIPALITY :ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008

REVENUE		2006	2006	2006	2006	Explanation of Significant Variances greater than 10% versus Budget
		Actual (R)	Budget (R)	Variance (R)	Variance (%)	

Property rates	1	3,094,494	3,053,088	41,396	-1.36	
Property rates - penalties imposed and collection charges	2	250,084	106,000	144,084	-135.93	Due to Financial Constraints
Service charges	3	4,857,737	4,404,750	452,987	-10.28	Increase in Pre paid connections
Rental of facilities and equipment	4	419,551	310,800	108,751	-34.99	Rental of new soccer field
Interest earned - external investments	5	948,144	820,000	128,144	-15.63	Procurement Planning
Fines	6	7,118	550,000	-542,882	98.71	Continuous staff resignations
Licences and permits	7	1,767,873	1,812,200	-44,327	2.45	
Income for agency services						
Government grants and subsidies	8	11,813,141	13,241,000	-1,427,859	10.78	More Grants allocated
Other income	9	715,355	809,880	-94,505	11.87	
Public contributions, donated/ contributed				0		
Gains on disposal of property, plant and equipment				0		
Total Revenue		23,873,497	25,107,708	-1,234,211	4.92	
EXPENDITURE						
Employee related costs	10	6,766,105	7,322,899	-556,584	7.60	
Remuneration of Councillors	11	887,891	908,300	-20,409	2.25	
Bad debts	12	80,000	80,000	0	0.00	
Collection costs	13	29,127	35,000	-5,873	18.78	Recovered legal costs
Depreciation				0		
Repairs and maintenance	14	1,187,438	1,223,500	-36,062	2.95	
Interest on external borrowings				0		
Bulk purchases	15	3,039,715	3,240,400	-200,685	6.19	
Contracted services	19	250,113	255,220	-5,107	2.00	
Grants and subsidies paid	16	801,000	801,000	0	0.00	
General expenses - other (including abnormal expenses)	17	9,398,038	11,083,610	-1,687,574	15.07	Due to under collection of revenue protection services
Contributions to provisions	18	100,000	100,000	0	0.00	
Loss on disposal of property, plant and equipment						
Total Expenditure		22,537,425	25,028,729	-2,492,304	9.96	
NET SURPLUS / (DEFICIT) FOR THE YEAR		1,336,072	77,979	1,258,092		

Appropriations 896,635

TOTAL NET SURPLUS / (DEFICIT) 2,232,708

APPENDIX F

STATISTICAL INFORMATION

2005	2006
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GENERAL STATISTICS

Population	56 000	56 000
Registered Voters	18 757	18 757
Area (km ²)	1 008km	1 008km
Total Valuations:		
Non Rateable (R000)	7 374	6 975
Rateable (R000)	101 877	103 879

Valuation date : 1 July 1997		
Number of Properties : Residential	2 079	1 670
Commercial	91	78
Assessment Rate : Basic (Per Rand) = Land	6.98c/R	7.33c/R
= Building	2.47c/R	2.60c/R
Rebate : Residential & State	0.80%	1%
Number of Employees	69	74

ELECTRICITY STATISTICS

Units (KWH) Purchased (000)	13 440	14 348
Units (KWH) Sold (000)	12 436	13 421
Units (KWH) Lost in Distribution + Street Lights(000)	1 004	927
Percentage Lost in Distribution	7.47%	6.46%
Cost per Unit Sold	20 c	20 c
Income per Unit Sold	29 c	30 c

NOTE

Pensioners = 26 800
 State = 158 786
 185 586 1% of Total R & G Income of 18 317 322

Cost per unit = R2 936 520 ÷ units 14348103
 Income per unit = R4 002 647 ÷ units 13421447

APPENDIX G
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant and Subsidies Received

Name of Grants	Name of origin of state or municipal entity	Quarterly Reports					Quarterly Expenditure					Grants and Subsidies delayed/withheld					Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		March 2005	June	Sept	Dec	March 2006	March 2005	June	Sept	Dec	March 2006	March	June	Sept	Dec	March			
MFMA	TREASURY			250			17	97	24	66	26							Yes	
HEALTH	PROV.	88	84	104	66	85	88	84	104	66	85							Yes	
LUMS	PROV.	200			50		10	111	35		1							Yes	
PMS	PROV.				40													Yes	
MDPCB	PROV.				80													Yes	
IDP	PROV.				50		2				59							Yes	
MSIG	TREASURY			367		367				68	92							Yes	
DISCB	PROV.				150													Yes	
VALUATIONS	PROV.				165													Yes	
MFMA	PROV.				100													Yes	
I/DEP MON.	PROV.				40				48	10	43							Yes	
MAP	TREASURY				700													Yes	
PROJ. CONS.	TREASURY	134							3	24	57							Yes	
PROJ. CONS.	PROV.	150					100											Yes	
		572	84	721	1441	452	217	292	214	234	363								

This excludes Equitable Share.

TRIAL BALANCE

MTHONJANENI MUNICIPALITY

2005	2005	2006	2006
Debit	Credit	Debit	Credit

Fixed Assets	16 475 851		18 052 762	
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PROVISIONS AND RESERVES				
Leave		83 848		7 890
Bad Debts		157 764		237 763
Assets Financing Reserves		16 475 851		18 052 762

Unappropriated Surplus		11 159 591		13 392 298
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Cash on Hand	521		521	
Cash at Bank	2 787 896		6 150 708	

DEPOSITS				
Electricity		356 051		390 374
Other		52 619		63 444

Creditors		3 157 326		4 387 929
-----------	--	-----------	--	-----------

External Investments	9 739 000		9 739 000	
Internal Investments				
Inventory	209 627		112 155	
Sundry Debtors	2 230 155		2 477 314	
	31 443 050	31 443 050	36 532 460	36 532 460

TRANSACTIONS FOR THE YEAR

The following accounting transactions (in summarised form) occurred during the 2005/2006 financial year (all payments were made through the creditor's account, except where stated otherwise; all income raised through the debtors' account, except where stated otherwise).

OPERATING EXPENDITURE

Salaries, Wages and Allowances	6 766 105
Councillors Allowances	887 891
General Expenses	8 052 686
Repairs and Maintenance	1 437 551
Collection Costs	29 127

Contribution (from operating account) Fixed Assets	2 247 544
Contribution (from operating account) to	
- Leave Provision	100 000
- Bad Debt Provision	80 000
Eskom - Electricity Purchases	2 936 521
	22 537 425

OPERATING INCOME

Assessments Rate Income	3 094 494
Income from Services (tariffs, service charges, etc)	8 965 862
Government Grants and Subsidies Received	11 813 141
	23 873 497